

CHAPTER 24

ELECTRONIC COMMERCE2401 OVERVIEW

Electronic commerce encompasses a wide range of financial functions which are performed using data communications techniques to transfer information between one or more parties in a prescribed format which is structured per the guidelines of the American National Standards Institute (ANSI), Accredited Standards Committee (ASC). All elements of electronic commerce shall use the DoD-adopted ANSI Standard No. X12 (reference (av)). Electronic commerce transactions shall be properly authenticated. Authentication measures shall conform to ANSI Standard No. X9.9 (reference (aw)) or equivalent authentication techniques. Reference (aw) establishes a universally applicable method to authenticate financial messages, including funds transfer, letters of credit, security transfers, loan agreements, and foreign exchange contracts that are transmitted by electronic means. DoD Component applications of electronic commerce that anticipate a recurring use of the Treasury's Fedwire System (chapter 4-2500 of reference (w)) shall be coordinated with the servicing DFAS Center before formalizing arrangements with the Treasury.

2402 ELECTRONIC FUNDS TRANSFER

240201. Overview. Electronic Funds Transfer (EFT) utilizes the FRB and its computer network to deposit funds into the checking or savings account of a person or company. The FRB processes all EFT actions through the Automated Clearing House (ACH) network. The FRB also processes all ancillary transactions related to the original EFT transaction through the ACH network. Disbursing offices whose activities include payment of civilian payrolls, travel, and/or vendor invoices are eligible to participate in EFT operations. All participating disbursing offices shall execute a Memorandum of Understanding (MOU) with the FRB which details the operating parameters and procedures for the conduct of Direct Deposit and Vendor Express operations. Payment or payroll files may be transmitted to the FRB by either a magnetic tape or electronic

file transmission. The actual method will be spelled out in the MOU.

240202. Pre-notification. Pre-notification is the transmission of a zero dollar value transaction through the FRB/ACH network to a financial institution. This type of transaction serves to verify a payee's account information and the financial institution's ability to post a payment to the account.

240203. Procedures. Disbursing offices utilizing EFT shall transfer funds to the FRB by an SF 5515. The SFs 5515 are prepared and dated to show the date payment is due, and delivered to the FRB with the magnetic tape. The DO shall retain the memorandum copy of the SF 5515. If the payment file is electronically transmitted to the FRB, the DO shall use the FRB's summary of ACH activity report in lieu of the SF 5515. In either case, the FRB will issue a confirmation SF 5515 to the DO. For an EFT transaction, the SF 5515 is recorded as a negative deposit with the payroll, travel, or vendor payment recorded as a gross disbursement.

2403 VENDOR EXPRESS

240301. Enrollment in Vendor Express. Vendor's may opt to enroll in the vendor express program, where available, to receive funds due them for goods or services rendered to the Government. Payment shall be via EFT vice a Treasury check. The vendor shall obtain the SF 3881, ACH Vendor/Miscellaneous Payment Enrollment Form from the DoD Component activity with which it does business. The completed SF 3881 shall then be forwarded to the paying office for processing.

240302. Payment Date. In the vendor express program, the payment date is the date of an EFT payment (settlement date). Payments made by the EFT mechanism shall be made so as to be received by the vendor's financial institution by the established payment due date. The processing time required to have an EFT transaction reach a financial institution should be part of the MOU with the FRB. On Saturdays, Sundays,

and legal holidays, when Government offices are closed and business is not expected to be conducted, payments falling due may be made on the following business day without incurring late payment interest penalties.

2404 CREDIT CARD COLLECTIONS

240401. Overview. The Treasury established a Government-wide credit card network to allow Federal agencies to accept credit cards (**VISA AND MASTERCARD ONLY**) from the public (vendor, member, and employee) for the collection of monies due from sales, services, fees, fines, and debt repayment. Agencies separately select one of the network banks under contract to the Treasury Department to provide credit card collection services and then enter into credit card participation agreements with the network bank. Appropriated fund activities receiving collections under this program are referred to as merchants. DOs are authorized to perform as merchants or as a support office to other merchants outside the disbursing office. The network bank assigns an account number to each merchant. The network bank deposits daily receipts into the TGA at FRB New York (using the DO's DSSN) and forwards an SF 215 for each merchant to the DO. The DO should receive the SF 215 from the bank within five to seven days. Account activity summaries are provided to the merchant for reconciliation purposes. Compensation to the banks for these services, excluding equipment costs and telephone lines, is provided by Treasury.

240402. Criteria for Participation. The use of credit cards as a collection option requires: transactions of \$15,000 or more per year, per location; a minimum of 10 transactions per month; and, a minimum transaction amount of \$5.00. The merchant (and the DO if acting as a support office) must perform a cost-benefit analysis to determine whether potential volume justifies the cost of credit card use. The merchant may contact one of the network banks directly to obtain information and general cost estimates associated with the implementation and maintenance of the network. Cost should also include the equipment cost, dedicated communication line, and increased workload for the merchant and the DO. Approval must also be obtained from the servicing DFAS Center

prior to the acceptance and/or processing of credit card sales.

240403. Processing Transactions. Based on the agreement with the bank, the merchant will prepare a standard credit card charge form (original with copies) for each collection transaction and will keep memorandum records of each collection. A record of each transaction must be retained for six years, three months. The merchant shall prepare a DD Form 1131 at the end of each business day and forward the voucher and supporting documents to the DO or the deputy serving the merchant. The DD Form 1131 shall identify the appropriate line or lines of accounting data to receive credit. The merchant shall retain a copy of the DD Form 1131 and a copy of the supporting documents for each day's business. The DO shall record the DD Form 1131 on the DD Form 2657 as a Reimbursement (line 4.1E) and as an increase to Cash-in-Transit (line 6.7). Upon receipt of the SF 215 from the network bank, the DO shall record the SF 215 on the DD Form 2657 as a Deposit (line 4.2A) and a decrease to Cash-in-Transit (line 6.7). Any chargebacks on credit card collections not accepted for deposit by network banks will be handled in the same manner as uncollectible checks from collections outside the disbursing office. The original collection is simply reversed and the receivable reestablished by the merchant.

240404. Reports and Reconciliation. Based on the report requirements established in the participation agreement with the network bank, weekly or monthly summary reports of the merchant's credit card activity will be mailed or electronically transmitted by the network bank to the merchant. The summary will detail dates of deposits, dollar amounts of deposits, number of transactions processed, adjustment charges, and chargebacks. This report shall be used to reconcile any differences which may occur between the report and entries into the accounting system. The report shall also be reconciled with the DD Forms 1131 submitted to the DO or deputy. Any adjustments or chargebacks shall be processed and documented in accordance with the credit card participation agreement.

240405. Internal Controls. Internal control procedures shall be established by each merchant to ensure that credit card transaction documentation to support all DD Forms 1131 submitted to

the DO is properly safeguarded. Documentation shall be available for use by the DO's quarterly cash verification board, the collection agent audit board, and for other audit purposes.

2405 LOCKBOX COLLECTIONS

240501. Overview. A lockbox is a collection and processing service provided by a financial institution (bank) that accelerates the flow of funds to the TGA at FRB New York. This service includes collecting a lockbox agency's mail from a specified post office box, sorting, totaling, and recording the payments, processing the items, making the deposit, and forwarding lockbox remittance data either in hard copy or electronic format to the lockbox agency. Treasury's Financial Management Service (FMS) has exclusive authority to contract for lockbox services with selected banks and the agency. An agency is prohibited from entering into new contractual agreements, modifications of existing contracts, or renewal of existing contracts without the prior approval of FMS. Compensation to the selected banks for specified lockbox services is provided by the Treasury. There are three types of lockbox services available to participating agencies: retail, wholesale, and electronic.

A. Retail Lockbox. A retail lockbox uses optical character recognition, machine-readable coupon-type payment documents for automated processing. This type of lockbox is best suited for low dollar, high annual item volume payments. High speed equipment captures specific information from the invoice and the check and stores it in electronic form on tapes or disks. The accounting information can be captured and passed via computer-to-computer link from the lockbox bank to the agency.

B. Wholesale Lockbox. A wholesale lockbox involves the manual processing of traditional invoice documents and is best suited for high dollar, low annual item volume payments. Once received at the lockbox site, these payment documents are processed using key entry to capture accounting information. The accounting information can be transmitted via computer-to-computer link or in hard copy from the lockbox bank to the agency.

C. Electronic Lockbox. An electronic lockbox is either a wholesale or retail lockbox

that processes transactions electronically. The remitter can provide payments through ACH, by wire transfer, or with paper check. Electronic lockboxes collect and deposit all three. The accounting information can be captured and transmitted via computer-to-computer link, magnetic tape, or in hard copy from the lockbox bank to the agency.

240502. Criteria for Participation. The use of the lockbox mechanism as a collection option requires: collections of \$1 million or more average monthly dollar volume; recurring and non-recurring, fixed and fluctuating transactions; and, approval must be obtained from the servicing DFAS Center to implement a lockbox operation.

240503. Lockbox Implementation. Generally, a lockbox application is identified through cash management reviews and audits. DoD Component activities desiring to use lockbox services should contact the Cash Management Division, FMS and provide an updated cash flow review consisting of current collection practices and deposit information. FMS and the DoD Component activity shall complete a cost-benefit analysis to determine: the total days of float in the activity's current collection system and the lockbox system; the costs (including float) associated with the activity's current collection system and the lockbox system; and, the optimal sites within the lockbox network to process the activity's remittances. If the lockbox is considered to be cost beneficial, a network bank will be selected (by FMS) for the activity to implement lockbox services. Activities utilizing lockbox collection services (billing activity) shall enter into a MOU with FMS and the lockbox bank designated by FMS. The MOU will incorporate the terms and specifications for the lockbox services to be provided to each billing activity that will provide the necessary information pertinent to internal controls and Treasury's financial regulations and reports. Recommendations will be made for an alternative collection mechanism when a lockbox application is not viable.

240504. Lockbox Collection Process

A. Lockbox Payments. The designated lockbox bank will assign a unique post office box number to the billing activity to facilitate receipt and processing of collections. The billing activity shall advise remitters to mail payments

and associated remittance documentation directly to the assigned post office box number. The bank picks up the mail several times daily and processes the remittances according to the activity's instructions. On the following business day, the bank transfers the funds by wire or ACH to FRB New York with credit to the DO's DSSN designated in the MOU. The bank will issue an SF 215 for the daily deposit. The confirmed copy of the SF 215 and an Advice of Deposit will be forwarded via First Class mail to the disbursing office. The DO shall prepare a DD Form 1131 crediting the lockbox deposit to **F3875, Budget Clearing Account (Suspense), pending receipt of an SF 1080 from the billing activity citing the appropriation(s) to be credited. The DD Form 1131 and SF 215 shall be reported on the DD Form 2657 as a Reimbursement (line 4.1E) and a Deposit (line 4.2A).

B. Lockbox Documentation. The bank will forward via overnight delivery the agency and/or memorandum copy of the SF 215, an Advice of Deposit, and all supporting remittance documentation received in the lockbox to the billing activity. Upon receipt of the deposit documentation, the billing activity shall reconcile the remittance documentation against the dollar amount indicated on the accompanying SF 215 and Advice of Deposit. Within five (5) work days of receipt of the documentation, the billing activity shall prepare an SF 1080 for the SF 215 and forward it to the disbursing office designated on the SF 215. The SF 1080 shall furnish complete collection information and accounting data, as appropriate (receiving activity, date of receipt, remitter, purpose of remittance, the complete accounting citation(s) to which the collection is to be credited, the contract number(s), contract line item number(s), sub-line item number(s), and accounting classification reference number(s) for each remittance included in the SF 215 total). The disbursing office shall complete the "Office Charged" portion of the SF 1080 by charging **F3875, Budget Clearing Account (Suspense), assigning the voucher number, and processing the voucher as a disbursement and a collection. The SF 1080 shall be recorded on the DD Form 2657 as a Gross Disbursement (line 4.1A) and a Reimbursement (line 4.1E).

C. Lockbox Debits. The bank will issue an SF 5515 to the disbursing office to

process a decrease resulting from duplication of a deposit, dishonored checks, or adjustments to deposits erroneously credited. The bank will forward dishonored checks with the SF 5515 for processing.

2406 ON-LINE PAYMENT AND COLLECTION (OPAC) SYSTEM

240601. Applicability. This section describes the OPAC procedures for simultaneous on-line billing and collection of intragovernmental transactions between two Government agencies. It also identifies general requirements and technical specifications prescribed by Treasury for those agencies subscribing to the OPAC system. Within the DoD, disbursing offices desiring to subscribe to the OPAC system must request specific authorization from the Deputy Director for Finance, DFAS Headquarters, through the servicing DFAS Center.

240602. Background. The OPAC system, which is a component of the Government On-Line Accounting Link System (GOALS), establishes a standardized interagency billing and adjustment procedure via a telecommunications network. Under the OPAC system, the buyer-seller relationship between Government agencies requires only the transfer of funds from one agency to another. This is accomplished through the use of 8-digit agency location codes (ALCs) (4-digit DSSNs). Upon fulfilling the customer agency's order or requisition for services purchased or supplies shipped, immediate payment is accomplished by the billing agency crediting its own ALC and charging the customer agency's ALC. The OPAC system accomplishes the following: (1) eliminates receivables; (2) eliminates the paper flow between agencies; (3) eliminates the use of Treasury checks between agencies; (4) improves cash management; and (5) establishes Treasury as the collection agency.

240603. Originating the Intragovernmental Transactions

A. Initiating the Order. The customer agency must include its ALC on all requisitions or order forms forwarded to the billing agency. This code identifies the customer agency to be billed for services or supplies. The billing agency will provide the customer agency with appropriate instructions for transmitting this informa-

tion. In addition, the customer agency is advised to include sufficient descriptive information on the requisition or order form which the billing agency will place in the description section of the bill. This will enable the customer agency to match the bill with the originating requisition when the bill is received on the customer's computer system.

B. Initiating the Automated Interagency Bill. Normally, the billing agency performs the request and notifies their accounting office that they can bill the customer agency for goods or services. The accounting office will input the billing information directly into the system. Specific instructions for logging onto the system are provided in the OPAC Users Manual. The system is menu driven and user-friendly. Data entered is the customer's ALC, amount of the bill, appropriation account to receive the transfer, and a description of the bill. The system will automatically issue a billing OPAC Billing Document Reference Number. The system ensures that no two bills have the same number. A collection voucher (i.e., a DD Form 1131) shall be prepared for each bill entered in the system and processed through the disbursing office in the same manner as other collection vouchers except that no check or cash payment is received. The collection is recorded on lines 2.8 and 4.1E of the DD Form 2657 and on lines 2.39 and 4.1 of the SF 1219. Refer to chapter 19 of this Volume for instructions on preparation of these forms.

C. Transmitting/Receiving the Bill. The system is updated overnight. Customer agencies on the OPAC system can print out their bills at their site the day after the bills are entered into the system by the billing agency. However, all ALCs billed receive a microfiche of these bills, regardless of whether the ALC is on the system.

240604. Billing and Collection Cycle. Billing and collection are accomplished simultaneously by the OPAC billing agency. Billing agencies have through the 24th calendar day of each month to enter bills for that month. Customer agencies have through the 28th calendar day of each month to enter adjustments to bills.

240605. Recording Automated Interagency Bills in Administrative Accounts. The customer

agency will verify the accuracy of each bill in the system. The customer agency will then record the payments applicable to its appropriation or fund symbols as of the payment date reflected in the system. A disbursement voucher (i.e., an SF 1034) shall be prepared for each bill and processed through the disbursing office in the same manner as other disbursement vouchers except that no check or cash payment is made. The disbursement is recorded on lines 2.8 and 4.1A of the DD Form 2657 and on lines 2.39 and 4.1 of the SF 1219. Refer to chapter 19 of this Volume for instructions on preparation of these forms.

A. End of Month Reporting. At the end of each month, both the customer agency and the billing agency must include the NET TOTAL amount of all bills and adjustments for its ALC on its DD Form 1329, Statement of Transactions for the current payment month. Bills entered on the system from the 24th of the previous month through the 24th of the current month and adjustments entered from the 28th of the previous month through the 28th of the current month will be included in the net total for that month. Agencies are advised to print out the reports of bills and adjustments at the end of each payment month prior to preparation of the DD Form 1329.

B. Monthly Reporting of Differences by Treasury to Agencies. Treasury will compare the customer and billing agencies' DD Form 1329 with the OPAC data and will also compare the OPAC data with the SFs 1219 from ALCs participating in OPAC transactions. If there is a difference, a TFS Form 6652, Statement of Differences, Disbursing Office Transaction will be generated. This statement is prepared by Treasury and mailed monthly to each agency that has a difference in reporting for the accounting period. Also accompanying the TFS Form 6652 will be a "Monthly Register of Transactions," which gives a detail of all transactions charged against a particular ALC. Agencies will investigate the differences and make the necessary corrections on their next DD Form 1329.

C. End of Fiscal Year Reporting by OPAC Customer Agencies. OPAC charges to the customer agency's ALC will be reported to the applicable appropriation or fund symbol for the fiscal year to which it relates. If, at the end of a fiscal year, a customer agency does not have

sufficient time to determine the amount of an adjustment for its regular monthly reporting on the DD Form 1329, the agency should include the erroneous charge to its regular appropriation or fund symbol. When the amount of the adjustment is determined, a refund receivable account should be established in its regular appropriation or fund symbol for yearend reporting on the TFS Form 2108, Year-End Closing Statement. Such receivables should be cleared in the subsequent fiscal year by adjusting the amount to the OPAC billing agency and crediting the appropriation or fund symbol charged on its regular monthly reporting on the DD Form 1329.

D. End of Fiscal Year Reporting by OPAC Billing Agencies. On the TFS Form 2108, the OPAC billing agency will establish and report an accounts payable for an amount equal to the amount of adjustments against the related appropriation or fund account of the OPAC billing agency.

240606. Adjustments of Erroneous Charges. Both the billing and customer agencies should recognize that the system cannot tolerate uncontrolled charges or adjustments. OPAC agencies should be diligent in their billing procedures and customer agencies should use the adjustment procedure only when they have been charged in error under the OPAC system. The adjustment procedure should not be used to adjust charges that originated under other billing systems. OPAC billings are rendered for services purchased or supplies shipped. A charge should not be considered erroneous simply because the customer agency receives the paid billing statement before supplies are received. If the customer agency subsequently finds that the charge was erroneous, the adjustments should be made at that time; however, the customer agency is limited to three months, upon receipt of its OPAC statement, to process the adjustment. The billing agency should be advised of the considerations underlying each adjustment. First, the billing agency representative should be contacted. The telephone number of the billing agency's representative appears on the top of the OPAC bill. A customer agency must input an adjustment into the system on or before the 28th of each month for that adjustment to be included in that month's net total. Otherwise the adjustment will be reflected in the subsequent month's net total. The billing agency has 90 days to

respond to the adjustment submitted by the customer agency. In cases where the billing agency concludes that the adjustment (or a portion thereof) was improper, it must communicate this to the customer agency, preferably by telephone. When agreement is reached, a second OPAC bill will be prepared charging the proper amount. Since OPAC is an on-line, interactive system, the edit program does not allow entry of invalid ALCs. However, it is possible for an OPAC agency to prepare a bill to a valid but incorrect ALC. Therefore, erroneous charges will only involve differences concerning the dollar amount charged or the bill itself. If the customer agency is on the OPAC system, it will adjust the erroneous charge using the following procedures:

A. The customer agency will access the OPAC automated system and make the menu selection for OPAC adjustments. The OPAC system will guide the user with prompts. The user will enter the original billing agency's ALC, the amount of the adjustment, the original document reference number, the originating accomplished date, and description. If the original biller's ALC is an invalid ALC, the OPAC system will stop further entry of data and return to the OPAC main menu. The OPAC system contains an edit to ensure that the original billing agency did issue the document reference number cited in the prompts. If there is a disagreement, the system will give the user the option to stop. Once the data is entered correctly, the system will issue an OPAC Adjustment Voucher Number unique to each transaction.

B. If the customer agency is not on the OPAC system and therefore cannot make adjustments via OPAC, it will prepare a hard copy SF 1081 and follow the procedures of that system.

240607. Basic Criteria to Access the OPAC System. In order for billing and customer agencies to use the OPAC system, the following are required:

A. A terminal with modem and auxiliary 80-character minimum printer is needed to dial into the commercial time-sharing service to access the system. There are a variety of terminals that can be used for this purpose.

B. Agencies must be assigned an ID and password that will allow them to access the system.

240608. Restrictions. The Treasury reserves the right to (1) make any adjustments centrally in Treasury's Central Accounting System and (2) to remove any agency from OPAC in those instances when the agency fails to comply with the rules and regulations set forth by Treasury.

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